

# **The Inaugural Clyde R. Cameron Memorial Lecture**

## **Land, Social Justice and Sustainability**

By Professor Frank Stilwell

*This is an edited version of a speech delivered at the Australian National University, University House, 19th November 2011.*

Thanks to you all for coming. Congratulations to Ron Johnson and others associated with the Association for Good Government in the ACT for this initiative to develop the Clyde Cameron Memorial Lecture and the [New] Clyde Cameron College, with its distinctive focus on modern applications of the ideas pioneered by Henry George. This extends the momentum created by the formation in 2006 of the ACT Association for Good Government. Certainly, these initiatives are timely right now because in Australia and around the world there is an enormous array of political economic challenges that need to be tackled. We need to think carefully, analytically, critically, constructively and progressively about how we deal with these challenges.

Three challenges are particularly important – economic crisis, social inequality and environmental decay.

### **Economic crisis**

In 2007-2008, when the Global Financial Crisis hit, this was probably the most traumatic shock to the global capitalist economy since 1929 when the Great Depression began. There are quite clear parallels in terms of the disarray created in financial markets, the flow on consequences for workers and, of course, the disarray among the economics profession about what is the essential cause, nature of this problem and appropriate policy responses.

The Global Financial Crisis wasn't just a blip in share markets. It was a fundamental crisis in the way in which we understand and, even more fundamentally, the way in which we organise our economic activities to imperfectly serve our social needs.

Since then the problems have rolled on. Yes, there were some useful short-term fixes, especially here in Australia where the Federal Government led by Kevin Rudd was among the best in the world in the

way in which it responded to the initial economic shock. It introduced an economic stimulus package that was effective in preventing the immediate financial crisis becoming a prolonged economic recession, as it did in so many other countries.

But the underlying economic problems have not been resolved. The short-term remedial policies seemed to work for a time to ameliorate, if not resolve, the crisis. But now we are seeing a further wave of profound financial difficulties in Greece, in Italy, in Portugal and Spain, in Ireland and continuing in the United States. There are severe problems of public sector debt as well as private household debt which seem extraordinarily difficult to resolve. So, uncertainty and instability have become the hallmarks of capitalist market economies around the world.

These difficulties have generated much talk of the need for a new financial and economic architecture. Incidentally, isn't it interesting to observe how that terminology comes to be mobilised - as if *we* could construct an 'architectural' solution in the same way that we might build a house on a corner block. The scale of the operation needed to deal with global financial disarray is enormous. The capacity of current political leaders and institutions to create the necessary architectural reconstruction is profoundly in question.

The parallel that comes to my mind is when, following the Second World War, the major international conference took place at Bretton-Woods in the United States to set up financial institutions, that for a couple of decades, helped to ensure fairly sustained and effective economic growth around the capitalist world economy.

Is it time for a new Bretton-Woods system? What form would that take? What arrangements could be put in place to ensure that a problem like the Global Financial Crisis would not occur again?

Frankly, no one quite knows how to grapple with this fundamentally challenging economic problem. I spend a lot of my time dealing with professional economists and many of them have got their own hunches, their own proposed panaceas, but there is no consensus about how to move forward.

## **Social Inequality**

The second great challenge - of redressing extreme social inequality - isn't new, of course. Since the advent of the capitalist system on a world

scale, some countries and some classes have become spectacularly prosperous while others have been left behind.

In recent times, however, the character of economic and social inequality around the world has changed quite significantly. Looking back over the last half century, one can see an underlying tendency towards increasing economic inequality. That's not surprising because capital can be used for capital accumulation whereas, at the other pole, poverty tends to be self-perpetuating. Those who are poor are often unable to get a good education, maybe even not enough to eat. So their capacity for higher productivity is severely constrained. Indeed, a culture of poverty and dependency may create a cumulative difficulty in breaking out of that vicious cycle.

So, virtuous cycles of capital accumulation and vicious cycles of poverty commonly co-exist. Historically, what have kept those unequalising processes in check are two factors – trade unions and redistributive governments.

The role of trade unions has been fundamentally important. Unions have been active and effective in representing organised labour, albeit not always representing those in poverty who are outside the workforce. For organised labour as a whole, the trade union movement has been a potent force for offsetting the underlying tendencies to inequality between those who derive their incomes from capital and labour.

In recent years, however, the trade union movement has had a much smaller coverage of the workforce and much less economic and political clout. Indeed, even the Labor Party which was originally formed in tandem with the trade union movement, representing the twin thrusts of labour within the industrial sphere and within the parliamentary sphere, now seems to have a more fractured relationship with it. There are some in the Labor Party saying that the influence of trade unionism should be diminished in terms of the way in which the party's policies are shaped. So there is a question mark hanging over the future capacity of the union movement to prevent growing inequalities between the incomes of bosses and workers - shaping the distributional shares of capital and labour.

Historically, the other element that has kept inequality in check is governments concerned with economic reform and social cohesion. Progressive income taxation has been coupled with welfare state provision and transfer payments to help those in poverty or otherwise in need. Unemployment benefits, state pensions, assistance to people with

disabilities, provision of public health and educational opportunities - these are the fruits of the welfare state.

But here too are tensions. The rich are reluctant to pay tax and there are strong pressures on governments to cut back on welfare spending. The influence of neoliberal ideologies – favouring market ‘freedoms’ over state provision – has been particularly pervasive in the last quarter century. The Global Financial Crisis showed that the neoliberal confidence in the efficiency of market processes is not soundly based, but there is no clearly desirable swing towards a resurgence of social democratic policies. Within the sphere of government the question about how to most effectively offset the underlying tendency of the market economy towards growing inequalities remains unresolved.

Ultimately, it is a political question - are there parties and governments that have the political will to address these issues through the radical taxation and expenditure measures that are necessary? Although it is hard to point to exemplars, from time to time one gets a glimmering of the potential for governments to really make a difference.

The discussions about the mining tax in Australia are a case in point. In Australia we have prodigious wealth being generated as the result of the extraction of mineral resources. Who should benefit from that wealth? Well, clearly Gina Rinehart – the richest Australian and now listed as the 29<sup>th</sup> wealthiest person in the world – has benefited from the wealth. She’s the daughter of mining magnate Lang Hancock. Of course it’s always important to choose your parents wisely!

The wealth of the mining billionaires, such as Andrew Forrest and Clive Palmer as well as Ms Rinehart, derives ultimately from the natural wealth of the nation. But it’s being privately appropriated for prodigious personal gain. Recognising this, the Australian governments led by Kevin Rudd and subsequently Julia Gillard have sought to claw some of it back for public purposes, so that part of that wealth might be used to improve the infrastructure of the nation, to improve the quality of public services, health, education and transportation systems that are so obviously in need of public investment. Therein lays an obvious tension – between public and private interests. The big mining companies mobilised very effectively against Kevin Rudd’s initial form of the mining tax and what is now coming on-stream is a much scaled down version.

The mining tax is an interesting case study because it reveals the fundamental political challenge of how we, as a society, capture our

collective wealth and the income that's generated for public purposes rather than to allow it to be siphoned off for individual purposes. Redressing inequality and controlling the wealth generated by natural resources – including land in general as well as mineral deposits – are inextricably linked.

## **Environmental Decay**

That brings us to the third of the big challenges. Having considered economic crises and social inequality, we have also to recognise the environmental crisis. This is the challenge that hangs like a great shadow over all else in the twenty-first century.

Of course, environmental problems aren't new either. The challenges of maintaining good quality air, water and land are of long standing. Personally, I'm old enough to remember back in the 1970's when there was a previous strong surge of concern about environmental issues. The Club of Rome produced its report on the limits to growth, showing that we simply couldn't go on increasing our exploitation of natural resources, generating more goods and services, creating more pollution and other environmental hazards, and increasing our population. The physical carrying capacity of the globe and the atmosphere simply wouldn't stand the stress.

There were criticisms of the methodology of the Club of Rome, but the insights into the fundamental tension between economic and environmental concerns have stood the test of time. Indeed, with recognition of global warming and climate change, the concerns have moved from margin to mainstream. The increasing political appeal and influence of the Greens is one expression of that concern.

The Gillard government's recent introduction of a Carbon Tax is aimed at one of the most fundamental aspects of those environmental concerns – reducing the carbon emissions that are integral to the problem of climate change. It is an interesting example of adapting the price mechanism to deal with environmental problems. More radical critics would say that it is the price mechanism and the market economy that is actually the problem, not the solution.

Here too we see a huge debate. How serious is this ecological crisis? How quickly must we act and what are the appropriate policy mechanisms? Should they be market mechanisms, like a Carbon Tax or an emissions trading system, or should we be looking to governments for stricter

regulation of production processes and consumption patterns? Is public expenditure on development and promotion of more renewable energy technologies the key? Or public ownership of key industry sectors, recognising that such structures can be used to re-orient and mobilise resources in ways that produce a more sustainable economy and society.

A parallel that comes to my mind is preparing for war. This is not in all respects a comfortable metaphor but, if there is a prospect of war, governments don't typically look to the price mechanism as the means of mobilising an army and reorienting the economy towards military priorities. More typically, when faced with a threat to a national interest, there is mobilisation through direct government intervention. This may involve conscription, for example. It would normally involve major expenditure by governments on armaments and other forms of war preparation.

If the emerging scientific consensus is right that climate change is a real and imminent threat, then one might expect governments to be involved in a similar process of mobilisation. Direct investment in renewable energy would be a priority. So would planning a transition from a coal-based economy to one which can live more comfortably in harmony with the environment. New coal mines are being opened. The overwhelming bulk of electricity generation is continuing to proceed in ways that are incompatible with the objective of ecological sustainability.

So the environmental challenge is not being resolved. As with the problems of economic crisis and social inequality, environmental challenges are typically being treated with bandaid solutions rather than responses that get to the heart of the problems.

### **Challenging the Dominant Economic Paradigm**

Critical observations like these are currently being made around the world, by those involved in the Occupy movement. Large groups of people have been out in the street, strongly voicing their dissatisfaction with different aspects of modern economy, society and political processes. They're focussing on corporate greed. They're focussing on inequality. They're focussing on the way in which current economic arrangements don't serve the interests of ninety-nine percent of the people.

Even at Harvard, the prestigious U.S. University in Cambridge Massachusetts, the students have been active in voicing similar concerns

– indeed, the students are revolting [audience laughter]. In one of the economics lectures given by the distinguished Professor Mankiw, former Chair of the Council of Economic advisors for President George W. Bush, a substantial number of the students in his class walked out saying: No thank you Mankiw, we think that the economics that you are teaching is not helpful to understanding what is going on in the world around us. This is of some significance because a university like Harvard is where the elite are reproduced in American society. There is evidently deep disquiet about whether the current political economic arrangements are sustainable and whether or not economics education is helpful in providing useful answers matters.

I dwell on this aspect of economics education in particular because for some forty years this has been my principal professional concern - to challenge mainstream economic thinking. Challenging the orthodoxies requires a sustained assault on “the conventional wisdom”, to use John Kenneth Galbraith’s phrase. Indeed, as with so many of Galbraith’s phrases, that one has a wry irony. Conventional wisdom means that the beliefs are merely conventional and not wise at all: they serve to legitimise existing arrangements and existing interests rather than helping to analyse what is going on in the world around us.

If we do want to understand what is really going on we need a different type of economic analysis – a new paradigm. But what is the appropriate alternative to the currently prevailing economic orthodoxy? That orthodoxy has its roots in neoclassical theory which was developed in the 1870’s in Britain and continental Europe by scholars such as Menger, Jevons, Walras and Marshall. It has continued to be at the core of the economics curriculum right through for more than a century, underpinning a benign view of the capitalist market economy as an engine of efficiency and growth.

The neoclassical economic orthodoxy experienced a challenge from Keynesian economics in the 1930’s and 1940’s, particularly because the catastrophic experience of the Great Depression showed the need for a different paradigm. But the ‘Keynesian revolution’ in economic thought was only partial. After the second world war a ‘neo-classical synthesis’ imported part of Keynesian economic thinking along with that free market neo-classical economics, creating a rather awkward hybrid. The market economy was regarded as structuring the way in which the economic system works, through the interaction of individual buyers and sellers establishing equilibrium prices that produce an efficient allocation of resources - but, as Keynes said, not always guaranteeing full

employment. Therefore, there is a modest role for government coming in with macro-economic policies - either fiscal policies or monetary policies - in order to ensure that there is full employment and therefore no inefficiency associated with the underutilisation of labour and capital.

That Keynesian influence on economics education and practical economic policy was rolled back over the last three decades by the re-ascendancy of a more purist neo-classical economics. In the realm of public policy it gave rise to the familiar neoliberal agenda - deregulation of markets, privatisation of public enterprises, trade liberalisation - as the ostensible means of creating the conditions for markets to expand and generate more economic prosperity. Neoclassical economics and neoliberal politics are closely intertwined. But their joint product has been the intensification of the triple problems on which I have concentrated in my earlier remarks – greater economic instability, inequality and environmental decay.

There have always been alternatives to the mainstream orthodoxy within political economic thought, however. There has always been a Marxist alternative, for example, that is fundamentally critical of capitalism and the market economy. There has been an institutional economic alternative, with its origins in the United States about one hundred years ago in the writings of Thorstein Veblen, creating a tradition carried on by John Kenneth Galbraith, by the great Swedish political economist Gunnar Myrdal, and here in Australia by my former colleague at the University of Sydney, Ted Wheelwright, a much loved and respected figure whom we honour in an annual memorial lecture.

There are also important contributions from environmentalists which, in conjunction with progressive political economic ideas, have given rise to Green economics. There are significant feminist currents in modern political economic thought. There are also post-Keynesian economic schools of various kinds. What we now need to do is to see ways in which we can draw from those different analytical currents in understanding the real world today - understanding the causes of economic crises, the growing economic inequalities and the political economic roots of environmental stresses. That requires systematic analysis. It also requires us to engage in the realms of philosophy and ethics and to make political judgements.

## **Henry George and Clyde Cameron**



One of the analytical currents on which we can draw particularly usefully is that which derives from the pioneering analysis undertaken by Henry George. Henry George was a significant figure in the development of political economic ideas, albeit subject to persistent marginalisation by the proponents of the mainstream neoclassical orthodoxy. I interpret his analysis as building to some extent on the classical political economist David Ricardo, but with a radical twist. George also had the capacity to link his economic analysis with a particular philosophy, with a particular stance in ethics. Unlike the Marxist critique of capitalism which focuses on the capital-labour relationship, the Georgist perspective directs our attention to the relationships that derive from land and how land is treated in the economy and public policy.

The connections are many and varied, but I hope in the remarks that I am now going to develop to illustrate some ways in which the land question is fundamental to the broad array of political economic challenges that I have introduced in the first part of my presentation.

However, before doing so, it behoves me to say some words about Clyde Cameron himself, after whom this inaugural lecture is named. Clyde was much influenced in his thinking by the ideas of Henry George. As a prominent Australian politician he sought to blend that theoretical understanding with a lifetime of practical political commitment to the labour movement.

Indeed, Henry George himself famously said that the increase in land values is always at the expense of the value of labour. Yes, *the increase in land values is always at the expense of the value of labour*. To my mind that statement really encapsulates the relationship between a Georgist analysis and a labour politics.

Cameron himself was deeply concerned with these issues. In his life and work I perceive the triple themes of labour, land and love.

Cameron's commitment to the labour movement is unquestioned. Born in 1913, he left school at the age of fourteen, started work as a rouseabout, and then became a young shearer. He quickly became active in the Australian Workers Union that covered the shearers working in rural South Australia. As a union representative, among his tasks was inspecting the quality of the pit toilets for the shearers, to make sure the toilets had the appropriate fly wire protection. This gained him the somewhat dubious nickname of 'Shithouse Cameron'.

Yes, he was a down to earth bloke. He would 'roll up his sleeves' at every opportunity. He served as the State Secretary of the Australian Workers Union and then became a Member of Parliament. After a long period in opposition, in 1972, when the Whitlam government was elected, he became the Minister for Labour and Immigration. Clearly, for Clyde, the magic moment had come. The long apprenticeship that he'd served now promised to bear fruit in terms of actually being in office, being in power, and having the capacity to make the changes that would create a fairer and better society in Australia. Clyde rolled up his sleeves and got on with the job.

He was instrumental in raising the wages of public servants. He saw the public sector as a pacesetter for improving the wages of Australian workers more generally. It was, with the benefit of hindsight, a problematic initiative because it fed into the problem of inflation that was emerging in the Australian economy at that time. The benefits of the surge in public sector wages were offset by the rising prices. The problem of simultaneous inflation and unemployment was starting to emerge, a problem that would bedevil economic conditions and policies in Australia and throughout the capitalist economies for the next decade.

Clyde was also instrumental in establishing new legislation for equal pay for women. Though this was a magnificent political achievement, there were contradictions and some disappointments here too, as it turned out. The impact on the actual outcomes of pay for men and women was somewhat modest - a pronounced gender wage gap persisted and has continued to this day. In other words, legislative change doesn't seem to resolve the problem of gendered economic inequality in all respects. No doubt, however, Clyde's initiative was a significant turning point and he deserves full credit for driving it.

Clyde's commitment to a Georgist approach in his political ideas and practice was also strong. He helped to open the Victorian Headquarters of the Henry George League in 1972. He opened the South Australian Headquarters of the Henry George League in 1984 and he did likewise in Western Australia with the new premises of the Georgist Education Association of Western Australia in 1989. His fundamental association with the Georgist movement was also reflected in a letter advocating land tax reform that he wrote to Frank Crean, who was the first Treasurer in the Whitlam Government.

Cameron was effectively saying to Crean: come on Frank, you've got to embrace Georgist principles in the economic policies of the newly elected Labor Government. He wrote about that experience himself as follows:

*“At one of the early Cabinet Meetings held by the Whitlam Government in 1973, I proposed that the newly-elected Labor Government re-introduce the Commonwealth Land Tax abolished by the Menzies conservative Government in 1953. My colleagues were impressed with what I had to say about using that tax to reduce other taxes that weigh so heavily upon the poor. They were impressed also by my argument that the collection of the economic rent of land would reduce the price of land for home builders.*

*Frank Crean promised to have my proposal studied by Treasury. But I knew then that nothing more would come of it!*

*Then on 27 June 1974, I wrote to Mr. Crean again urging him to re-introduce a Federal tax on unimproved land values. ‘As well as yielding several hundreds of millions of dollars in revenue,’ my letter continued, ‘this tax would have the even greater advantage of easing pressures on resources caused by the rapacity of land speculators.’ My letter continued:*

*‘It would reduce land values by taxing vacant building allotments and would be much more equitable than seeking to reduce demand inflation by such measures as, say, indirect taxation upon consumer goods and household appliances.’*

Clyde was not inclined to support policies like higher taxes on goods and services. To be efficient and equitable, he thought it would be better to use the tax system to restrain the rising costs of land. In his own words:

*‘Rising land prices have made a much greater inroad into the incomes of the ordinary wage and salary earner than any other single factor. It not only directly affects the wage and salary earner who is seeking to build a new home, but it indirectly affects the price of homes already built. It is useless talking about allowing the States to control land prices. They will never do it; and we should accept that as a fact. You may recall that when the Menzies’ Government abolished Federal Land Tax, the Labor Opposition then stated quite categorically that a Labor Government would re-introduce the tax.*

*'As a matter of historical record, it should not be forgotten that in 1910, the Fisher Labor Government was actually elected to office on the sole issue of the taxation of unimproved land values. As well as being a more just method of receiving revenue than the imposition of indirect tax upon the necessities of life, it is the one kind of tax that has to be paid by those best able to pay it...'*

*I had not asked for a pure unadulterated application of land values taxation without any exemption; that would have been too much honey in one serve! My letter went on to remind Mr Crean that I had raised the matter during the 1973 pre-Budget discussions and that there had been tacit agreement among the majority of Ministers that the Federal Land Tax should be introduced. My letter went on:*

*'I raised this matter, you will remember, with Sir Frederick Wheeler when he and his team of advisers appeared before a Cabinet Meeting some months ago. Sir Frederick's excuse for not having included this proposal in last year's Budget was that Treasury did not have enough time to study the proposition. Actually, Treasury did not need much time because the land tax apparatus is already established by virtue of the fact that all of the States use it for revenue raising purposes. Treasury has now had almost a year to think about the matter and I would hope that lack of time would not again be used as a reason for further delay.'*

*'Needless to say, nothing happened! Mr Crean, like most adherents of orthodox economics, had never understood the economic rudiments of rent, wages and interest. What's more, nothing has changed! We continue to embrace the false economic theories that are dragging us towards economic and social damnation.'*

Thank you, Clyde Cameron. Your linking of the interest of labour with proposals to reform policies towards land was an exemplary instance of practical Georgism – albeit with frustrating lack of political traction.

Moving on from labour and land to love is perhaps a surprising element to complete the Clyde Cameron trilogy. As you may gather from the often rather dogmatic, even intemperate, remarks to which Clyde was inclined, he was a good hater - in the Labor Party tradition.

Indeed, he came eventually to hate even Gough Whitlam, after Whitlam had relieved him of his position as the Minister for Labour and Immigration. This position in the government was what Clyde wanted to retain. It was the means by which he could pursue his lifetime mission to

help the cause of the labour movement. Whitlam gave it in 1972 but eventually took it away in 1975, giving him instead the portfolio for Science and Consumer Affairs. Clyde had no natural inclination for these policy fields. Whitlam allegedly said at the time- “oh, Clyde you’ll like it”. Indeed he did, finding it rather interesting and engaging. But he could never admit it publicly because he had to maintain his stance of disappointment and dismay at his inappropriate sacking, by Whitlam, from the portfolio that was his life-long mission to serve.

So why, for a manifestly good hater like Clyde Cameron, would one refer to love? I do so for the reasons to which I’ve already alluded - his commitment to the labour movement, his belief in a fairer society, reflecting a deep concern on behalf of humankind more generally to make for social betterment.

In this context it is appropriate to quote the sentence with which Tim Flannery, the great Australian environmental scientist, finishes one of his recent books. From memory, it goes like this: If we cannot learn to love each other and nature more deeply then it will be the worse for the planet and the future of humankind. Flannery is saying it’s in the nature of our relationships to each other and to nature that the fundamental changes must be brought about.

That involves caring, sharing and nurturing, not simply optimising efficient market relations. It involves a transformation in our relationships to each other and to nature. I believe that is what Clyde Cameron, was fundamentally committed to achieving, beneath the pragmatism of Labor politics.

The creation of the Clyde Cameron College (or the TUTA College that eventually came to be re-named as the Clyde Cameron College) was one of the avenues through which he hoped that education, particularly of trade union delegates, would help to achieve that goal. I went to the Clyde Cameron College a couple of times when it was at Albury-Wodonga to talk to delegates from trade unions. Though the dominant practical concerns were about wages industrial relations and disputes, underlying them, I think, was a broader philosophy about how the interests of the labour movement could be pursued in harmony with broader concerns about social justice and sustainability. It is a pity that the College was wound up for lack of political support. By the same token, it is great that a new Clyde Cameron College is now being developed through the initiative of the Association for Good Government

in the ACT. The Clyde Cameron lecture series should have a similar mission.

## **The Fundamental Importance of Land**

In introducing this session, Ron Johnson referred, as has become customary at public meetings in recent times, to the role of indigenous people and their relationship to the land. As I move towards the latter parts of my remarks, I also want to pick up on that theme. It reminds us that there are many different types of relationship we can have to nature - and to land in particular.

Some of us enjoy having our own exclusive access to particular places and spaces. The archetypal 'Aussie backyard', where you might share family pursuits or have your barbecue and invite your mates around, is an obvious example. On the other hand, some of us also enjoy roaming freely through wilderness areas, feeling uplifted by the contact with the vastness, the diversity and ecological integrity of it all. My partner Ann and I have in recent years spent much time doing that in national parks in and around the Sydney basin, enjoying the physical and the spiritual contact with nature.

So how are we to relate to land? By capturing individual parcels for personal use? By sharing it more collectively in the ways that I have just described? Or by some hybrid or combination of those arrangements?

Indeed, our relationship to land can take an array of different forms. There can be common land, there can be national parks, Crown land, leasehold land, freehold land, land that is zoned for particular uses with other uses proscribed, land that is subject to particular types of taxation regimes which might create imperatives for particular types of land use and disincentives for others.

Land is a gift of Nature, but the ways in which we relate to it can take so many diverse forms according to our ingenuity, our political arrangements and our aspirations. What pertains at any particular point of time is not necessarily for the best. Indeed, looking at the current situation from the viewpoint of Indigenous Australians, our arrangements must seem frankly horrifying.

For Aboriginal people the relationship to the land is not fundamentally economic - it is a cultural and spiritual relationship. One can no more own land than that the land owns you. The relationship is a symbiotic one

in which market arrangements have no central place. Now, I'm not suggesting we can readily recapture that more wholesome historical relationship with the land. But we do have to think carefully about the arrangements for ownership, regulation and land use that might help to restore a more sustainable balance.

That is where the Georgist political economic philosophy is so important. George's ideas were very influential in Australia as well as in America in the late Nineteenth Century, although they have been ignored by most economists in the Twentieth Century. They warrant greater prominence and influence in the Twenty-first, because of their enduring relevance to understanding the way in which land is used, particularly in the urban context.

As George stressed, the capacity of land owners, particularly in major metropolitan areas, to capture unearned income is a major source of socio-economic inequality. The failure to adequately tax that surplus is an element in the impoverishment of the public sector and creates a tendency towards speculation rather than productive economic activity in society as a whole. If you have the capacity to buy land as a basis for capital accumulation, you are much more likely to get rich than simply by working for wages.

Here again, one can see the connection between Georgist ideas and Cameron's politics - reflecting a recognition that honest labour typically is not the normal source of great personal wealth. The most prodigious wealth is more likely to come through speculation, for example in land and other forms of property, than through directly productive personal efforts.

However therein lies a zero sum game. Buying and selling land doesn't actually create value. It may enable individuals to get rich, but it does not increase the total wealth available to the society. It doesn't create any new assets. It doesn't create any new productive capacity. Rather, it redistributes how individuals and classes share in the wealth endowment that results from the use of land for economic and social purposes.

The effects are strikingly evident in Australian cities. As they have grown, land values have relentlessly increased. In Sydney, for example, land near the Harbour has experienced prodigious increases in value during the last few decades, with major surges periodically interspersed by periods of comparative stability. The real estate interests are persistently 'talking the market up' and the major political parties see

their interest in encouraging steadily inflating values of owner-occupied housing.

The media invariably refers to the trends in terms of housing prices. But the lion's share of housing prices comprises land values. And so if, as a society, we want to control housing prices in order to keep housing affordable for the majority of Australians, that has to be addressed with policies affecting land values. But that's difficult to do around Sydney Harbour, for example. There are only a limited number of land parcels on which people can live, although, with high rise development, the intensity in the use of that land can increase.

Land is a positional good. It is relatively limited in supply and, as its price goes up, that benefits the holders of the existing land but does not create any mechanism for the re-distribution of those increased land values more generally throughout the society. This gives rise to the all-too-familiar problems of Australian cities - problems of housing affordability, problems of growing inequality between the rich areas and the poorer areas and problems of urban sprawl and transportation stresses. The problems have been documented in an enormous number of books over many years. Leonie Sandercock's *'The Land Racket'*, written over thirty years ago, comes quickly to mind. There is a whole library, in effect, of books which document the nature of the urban problems.

In principle, public ownership of land could provide a solution. Of course, that would not create the opportunity for everyone to live by the edge of Sydney Harbour - far from it - and the problems of access and positional goods would still remain. But it would provide a mechanism whereby increases in land values went directly for public purposes rather than for private individual gain. The prospect of achieving public ownership is very limited, however. Once the land has been parcelled up for private freehold arrangements, the resistance to public acquisition and the problems of financing compensation payments are well-nigh insuperable in a democratic society.

Taxation of the revenues generated by land is the alternative mechanism. Of course, that does already occur to some extent. We've got State Land Taxes, but owner-occupied properties are exempt. So, the State Land Taxes actually don't generate anything like the revenue that they could. That leaves State governments dependent upon an array of other taxes, such as Payroll Tax which is, in effect, an inefficient impost upon the employment of labour. Reliance on gambling taxes is equally problematic because it means that States continue to be addicted to gambling,



notwithstanding the ongoing concerns about problem gambling and the social need to rein it in. So, if we could shift the balance away from those forms of taxation onto land taxation that would certainly help many of the stresses associated with current tax arrangements. It would require a more broadly based land tax.

That is what, to his credit, Federal Treasurer Wayne Swan said to the representatives at the national Tax Forum held here in Canberra a few weeks ago. There was much talk at the Forum about land taxes - which is rather interesting from a Georgist perspective. Indeed, I cannot recall any public meeting convened by an Australian Government where Land Tax got such a good hearing.

One of the drivers of that national Tax Forum was the report of Ken Henry, the former head of the Treasury. The Henry review said some quite strongly positive things about the role that a more broadly based Land Tax should play in comprehensive reform arrangements for Australia. That was picked up by a number of the public finance experts at the Forum. Often this was in a pragmatic way - as a means of generating more revenue so that the State Governments needn't be looking for increases in the GST or for more revenue from Payroll Taxes or Gambling Taxes. But others at the Forum were arguing that it is, in principle, a better form of taxation than many of the existing tax arrangements that have grown 'like topsy' over the years.

Yet Wayne Swan finished the Tax Forum proceedings by saying, in effect: you State Premiers had better act on this because I'm not going to. It was his way of saying - if you State Premiers want more tax revenue to finance your transport systems, your schools, and your hospitals, you've got the potential revenue base already, if you are only willing to use it. And that revenue base is a broadly based Land Tax.

But as Clyde Cameron knew, if you rely on the State Governments to take the initiative, it is unlikely to happen, because no one State is going to take the lead. It's only when there is a uniform set of arrangements across all States that there would be any prospect of a more broadly-based land tax being introduced. Indeed, progress at the local government level is the more likely prospect. Local government rates are already, in effect, land taxes where unimproved land values are the basis of the property value assessment.

Indeed, my own thinking at the moment is that we are more likely to get progress at the local government level than at the State Government level, because at local government there are already comprehensive land taxes. Local government rating is based typically on unimproved land values, although not consistently so across all parts of Australia. So the principle is well established. Unfortunately, however, in the case of local government, the rates are generally seen only as a payment for services—for the provision of guttering and refuse collection, street lighting and the like. So the expectation that this can be a mechanism for capture of an economic surplus and for redistribution to create a more equitable society sits rather uncomfortably with the current local government application of the Georgist land tax principle.

## **Conclusions**

In moving towards the conclusion of my remarks, I hope to have suggested some ways in which we can make progress. There are enormous challenges to be faced – continuing economic crises, deepening social inequalities and intensifying environmental threats. But we can use political economic analysis to identify the roots of these problems and develop useful responses. For example, following Henry George, the case for land taxation is well established as a means of pursuing both efficiency and equity. There are applications of that principle, however piecemeal, which constitute building blocks on which more comprehensive reform could be based, if there is the political will so to do.

In my more optimistic moments I even see some glimmerings of that political will. That's why I was talking earlier about the mining tax—because there is a similar principle of developing taxation arrangements to capture an economic surplus for public purposes rather than for private wealth accumulation.

If that principle of surplus-capture can be established through a Minerals Resource Rent Tax, then it starts to become part of our expectations of the taxation system more generally. It can become part of our expectations about the way in which governments should serve the public interest.

Henry George noted a century ago that the contrast between wealth and poverty was most striking in the great cities where the ownership of a little patch of land is a fortune. The sheer scale of Australian economic development today, in the metropolitan areas in particular, should redirect

our attention on to the question of land, its ownership and how incomes from the ownership of land are distributed. That is a way into considering how to deal with the widening gulf between the rich and poor, between the cities and the non-urban areas, and the growing socio-economic inequalities, as well as the great environmental challenge.

Unfortunately, governments have left the issue of how to deal with the privately appropriated surplus from land in the too hard basket. This is because they evidently fear an electoral backlash from policies that tax site rents or collect site revenues more extensively. However, unless we can as a society develop appropriate policies to capture a larger part of that surplus and use it for social purposes, we are likely to experience greater social division, deterioration in the quality of the public sector, and increased inequality between urban and rural areas in terms of their standards of living .

Reforms involving land taxation have a potentially significant role to play in these circumstances, notwithstanding significant tensions in implementing these reforms in an era of increased capital mobility. Paradoxically, it is that very mobility that makes more necessary the re-focussing of economic policy and tax policy in particular, on a relatively fixed factor - land.

Congratulations to the ACT branch of the Association for Good Government on launching the Clyde Cameron Memorial Lecture. Congratulations on the initiative to form a new Clyde Cameron College for the study of some of these issues and more. I have brought along some books today, including some of my own books that I'd like to contribute to the development of a library for the Clyde Cameron College. I look forward to all the good things that I'm sure to the CCC will go on to do in the future and thank you for your attendance and attention today.

[Long applause from audience]

**Chair:** Thank you very much Professor Stilwell for a superb lecture. Thank you very much for those books too. We'll certainly add those to our library and I'm sure many people will enjoy those over the years. One comment that I'll make before opening to the audience for questions is that I really appreciated your analysis- "labour, land and love". That was certainly the impression that I gained when I met with Clyde Cameron – that he was motivated by love. I think that economic theories are only as

good as the love that they are mixed in with, as you said Professor Stilwell. Now to our first question from Ken.

**Ken:** Thanks very much for a very stimulating lecture. In your last five or ten minutes you touched on something that I've been nursing all through your talk and hoping that you would come out with it. That is, it isn't just land- it's natural resources- it's land water, minerals, - heaven only knows what else. But this surely is a time when you have to think about taxing mining. There is gold, there is iron ore, there is coal, there is uranium. All these things are natural resources which are in exactly the same position as land.

**Professor Stilwell:** Thank you for that observation. I've wrestled with this because I agree with you in principle that this is the big picture that we need to keep our focus on- natural resources in general. Certainly, if we are talking about establishing harmony between the economy and the environment, we need to take all natural resources into account.

A tension arises I think in that context because, historically, Georgist political economy focuses on land. Personally, I believe there is a lot of merit in extending those principles to consider all environmental resources. But it is (and I'm catching Richard Giles' eye and perhaps Faye's here too) a little contentious among Georgists to argue in that more general way.

I think it's one of those big open debates that I would hope to hear more of within the Association for Good Government and the Clyde Cameron College. Should I take sides? Yes I will... I'm on your side on this one. I think there is a lot to be said for not just the reproduction of Georgist ideas, but their creative extension into natural resources more generally.

**Chair:** I might just add that Henry George in his books defines land as all natural resources...

**Joffre:** My question is regarding the interesting events in Occupy Wall Street. It's also become a global movement. We have Occupy Sydney and Melbourne. How would you recommend that the Georgist movement could participate in this interesting global phenomenon called Occupy Wall Street? Because it's actually about getting the economy back from the elites that have kept it for themselves.

**Professor Stilwell:** The Occupy Wall Street Movement, or more generally the Global Occupy Movement, is a very interesting

phenomenon. There is no obviously unifying principle other than disquiet about current economic and political arrangements. The Occupy Movement echoes and develops from the anti-corporate globalisation movement that began in Seattle about twelve years ago and has erupted in every other global economic meeting of world leaders since. It spawned the World Social Forum that began its annual meetings in Porto Allegro in South America and has now become part of the dissident political scene world-wide. There are Marxists, there are Greens, there are anarchists, and there are all kinds of dissidents feeding their ideas and prescriptions into that world-wide movement. Occupy is building on those foundations.

Although I see little evidence that Georgist ideas are strongly influential in this movement, they don't seem to me to be fundamentally at odds with some of those other concerns. Certainly, Greens have a natural harmony with Georgist concerns, because of a common concern with the management of our resources, the relationship between our economy, our economic interests and Nature. So I think there is the scope for Georgism to build closer connections into the Green element in this anti-globalisation and occupy movement.

But the style of politics is also important. Some people are comfortable working through parliamentary processes. Others are more comfortable taking direct action in the streets. Georgists are not generally comfortable in the latter context: look around yourselves- are we going to go out and squat somewhere in a public place and have a confrontation with the cops? I don't think so. Georgists have usually sought to feed ideas into the understandings of the world through pamphlets, letters to the press and educational processes, rather than through taking direct action. When it comes to political choices we all do what we're comfortable with- and so be it.

**Chair:** Thanks very much Frank. I was in the protest in 1996 up at Parliament House when the doors got broken in, though I wasn't actually in the front line. Frank- I forgot to mention to you what we are doing this afternoon, now that you've come from Sydney, it's just a short stroll up the hill...

**Michelle:** You mentioned towards the end of your talk the fear of electoral backlash. I'm just wondering if you see that as a continuing insurmountable problem and what you might do to address it?

**Professor Stilwell:** The question of the political acceptability of Georgist ideas has always been very difficult to determine. On one level, if one accepts Georgist principles the public benefit is obvious, we would have an economy that would be more stable, that would have more affordable housing that would live more in harmony with Nature. Yet as soon as you start to talk about more extensive land taxation it's not just Tony Abbott who stands up saying "Big new tax on everything". There are some more middle of the road politicians, including Labor politicians, who are very fearful about anything that can be represented as a tax on the family home.

The conventional wisdom is that proposing a more broadly-based land tax is political suicide, that any politician advocating it is dead- perhaps not physically dead, but certainly out of parliament. The challenge is how to deal with this conundrum – a policy that ultimately would benefit all, including homeowners, but facing a short run obstacle because it is so easy to represent these policies as hurtful to the seventy percent of Australian householders who are owner-occupiers. Approximately half of these actually own their property and the other half have the bank owning their property while there are trying to pay it off with mortgage finance. It is very difficult to reassure such people that a more extensive land tax is in their interests.

I don't have the answer to this conundrum - other than continuing to emphasise the societal benefit of getting over that political road hump. But there is no question in my mind that that is one of the reasons why the Georgist ideas, though logically impressive, have proved difficult to implement as a political programme. Once you have developed a system of private land ownership, with people believing that they have got a stake in increasing land values that grow their own personal wealth, any attempt to redistribute that wealth more equitably throughout the society is seen as politically untenable. I think it's a huge challenge. Here I'm catching Terry Dwyer's eye: I don't know if you are going to refer to this in your later remarks, but please come up the front, Terry, and give us a foretaste of how you respond to this challenge.

**Dr. Terry Dwyer:** It is a very interesting question that Frank has raised. How do you persuade people to do what is in their interests? Because time and again you see people act in their short-run interests and against their long-run interests. But one thought that has occurred to me is that you could always give homeowners a credit or a deduction against their income tax. They would see it straight away with their fortnightly PAYG statements. A credit would say that if you have paid your rent to the

government, to that extent you have discharged your social responsibilities.

Now at first you'd think what is the point of introducing a tax where you are immediately giving it back? But a lot of landholders are foreigners and not resident Australian taxpayers. People do not realise that Melbourne has become a bolthole for corrupt Chinese communist millionaires trying to get their money out against the inevitable day when the party will catch them up for corruption.

There's a lot of foreign investment in Australian urban real estate and a lot of it is allegedly owner-occupied. So you would still end up with net revenue and of course you would give deductions to business people. So I think you can ease the crunch and get people educated to it.

**Chair:** Thanks Terry and thank you very much again Professor Stilwell. If you ever happen to pick up a copy of the *Sydney Morning Herald* or the *Australian Financial Review* and notice that some of the articles are occasionally in favour of Land Value Taxation, there is a good chance that those journalists are amongst a very large group of Australians who have now been through Professor Stilwell's courses on political economy at Sydney University. So keep up the great work and thank you very much again Frank.

[long applause]